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# Prosecution rests: *Bankruptcy controller says Rewald ran 'scam'*

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The prosecution rested its fraud, perjury and tax evasion case against Ronald Rewald yesterday after eight weeks of trial, 132 witnesses and more than 2,000 exhibits.

U.S. District Judge Harold Fong denied defense motions for acquittal on 23 of the 98 counts pending against Rewald, setting the stage for the defense to begin this morning.

Rewald himself, who claims he was acting under CIA instructions when he took money from investors under false pretenses, will be the star defense witness, probably in about two weeks.

"I'm looking forward to that," Rewald said as he helped carry cartons of defense exhibits back to his lawyer's office last night.

Thomas E. Hayes, controller in the bankruptcy of Bishop Baldwin Rewald Dillingham & Wong, was the cleanup hitter in the prosecution line-up, testifying that Bishop Baldwin "was a scam" in which money from later investors was used to pay those who had invested earlier.

The company, set up by Rewald in Hawaii in 1978 after he moved from Wisconsin, teetered on the brink of insolvency from the beginning, Hayes said. During one eight-month period, Hayes said, the company's accounts were overdrawn 13 times and the company kept its doors open only by floating checks for which it had no funds.

Hayes said he took over the firm on Aug. 4, 1983, when it was placed in bankruptcy proceedings by a federal judge at the request of a handful of investors.

At that moment, he said, there was a \$155,000 balance in the bank, but a \$200,000 check out against it.

He said he told his lawyers within a few hours of walking into the firm's lavish offices that "this looks like a scam. The money was coming in from investors to this big bank account, and it was being paid out for no useful purpose. A lot of it was being paid out for the benefit of Rewald."

Hayes said he ordered the company's staff to drop the documents they had and chased Rewald secretary Sue Wilson to the elevator to make sure she gave up the packet of company mail she walked out with.

He said he changed the locks, cancelled the access cards that let employees through the building's elaborate security system, and began sifting through a mountain of papers.

In the end, Hayes said, he concluded about \$20.6 million came in and that Rewald paid about \$10 million back to investors in principal and bogus interest, spent about \$5 million to maintain a "corporate facade" and diverted the rest to himself for homes, ranches, women, polo ponies, fancy cars, antique weapons and art.

There were only two actual investments, both losers, in Motor Cars Hawaii and in Sanders & Printup, an advertising agency, Hayes said.

Hayes said "we were able to track down and balance to the penny every single dollar coming in and out of Bishop Baldwin. We balanced the checkbook," something Rewald and his staff had never done.

The checks included one dated Jan. 10, 1983, marked "loan," for \$10,000, made out to John Waihee, the lieutenant governor, and not previously disclosed to the public, Hayes acknowledged under cross-examination.

He said there was no attempt to conceal the Waihee check, but it was dropped from the final Bishop Baldwin accounting because Waihee, embarrassed about being indebted to Bishop Baldwin after the collapse, had repaid it in November 1983.

Chuck Freedman, the lieutenant governor's assistant, said yesterday that in 1983 Rewald wanted to buy property owned by Waihee. Representatives of Rewald's company deposited \$10,000 in a trust account with Waihee's law firm to demonstrate the intent to purchase the property, Freedman said.

"When it became apparent that the property was not going to be purchased, the deposit was returned," said Freedman.

When all the company's assets that were left were later seized and sold, Hayes said, it brought only about \$400,000.

He said he is still trying to recover money from some investors who withdrew funds within 90 days of the collapse and from others such as women Rewald paid for sex.

Hayes said he found about 150 documents relating to the CIA within the hundreds of thousands of pieces of paper in Bishop Baldwin.

Those papers were placed under seal by the bankruptcy court at the request of the CIA and were reviewed by CIA officials in private, Hayes said. He said he didn't keep track of those documents, assumed that court clerks did and had no reason to believe any were removed or destroyed by the CIA.

When Rewald claimed he could identify other assets such as a tea plantation in Indonesia and something else in the Philippines, both supposedly involving the CIA, Hayes said, Hayes put Rewald on the phone to call people in those countries. But the people said they knew nothing of such investments.

He said he saw no evidence of foreign arms deals or commissions from them, and Judge Fong again rejected defense efforts to introduce exhibits relating to that subject as irrelevant.

Hayes said all Rewald put into the company was \$1,000 to incorporate it, but his account balance at Bishop Baldwin showed about \$1.9 million when the collapse came.